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Chief, Manufacturing Sectors Branch

4 May 1959

Deputy Chief, Industrial Division

Comments on Project 34.894, The Determination of Cost and Price  
in Soviet Machine Building.

1. Subject project will be of considerable interest to students of the Soviet economic system, both in and out of the intelligence community. In order to facilitate wide dissemination, the project should therefore be published at the lowest possible classification.

2. It is obvious that a great deal of digging has gone into the assembly of the material and the preparation of the report. Much of the draft is in fine condition and will need little further attention. Because the report merits wide reading, however, it is important that it be closely coordinated with other Soviet specialists in CRR, prior to publication.

3. To speed up publication, it is recommended that the paper be divided into two parts: That the cost section be published as soon as current work permits, and that the price section be rescheduled for completion as a new project at a later date when time is available.

4. This will permit simplification of the Introduction, which is now both a Summary and Conclusion and an effort to relate the problems of cost and price. It is suggested that the discussion of price be eliminated at this time and that the appropriate parts of the present introduction be combined with the introduction to Part III to form a new introduction.

5. A separate short Summary and Conclusion should be provided in accordance with CRR procedures.

6. Since Part II discusses not only the determination of cost, but also the use of this concept as well as the structure of cost, thought should be given to a more applicable title for the paper.

7. In the new introduction it is suggested that the labor theory of value be treated only briefly and merely to make clear that it is an inheritance from Marxian theory, which postulated that each item produced has inherent in it a true "social value" which reflects the labor, both past and present, needed to produce the item. It can then be stated that in facing the practical problems of managing a large and complex economy, they had to use concepts and procedures which are in variance with the Marxist labor theory of value. Thus they have

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developed measuring concepts of sebestoimost' - for determining the costs of production, and at least two distinct systems of pricing for directing the resources of the economy toward the policy ends of industrial development and national security. Beyond this brief statement in the introduction, the less said about the theory of value in the body of the paper itself, the better, since the term is not used operationally in the USSR.

8. In preparing the paper for resubmission it is suggested that a careful check be made of the use of economic terms and concepts, particularly where used to make comparisons between the Bloc and the West (e.g., the comparison of Soviet and western costing on p. 9).

9. Although the subject of R & D is referred to at several points, the treatment needs further clarification, if this can be done without a serious delay of the project as a whole.

10. I shall of course be happy to discuss with you any of these general suggestions, the specific suggestions made in the attached Notes, or any other problems connected with this project.

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Attachment (1)